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LATIN AMERICA REVIEW (U)

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Brazil: Dealing With Labor (U)

To forestall further labor unrest, President Figueiredo's administration is preparing a strategy that involves a new wage and salary policy designed to eliminate union incentive to strike, and is showing a greater willingness to enforce strike activity laws. The new wage policy, which is to take effect on 1 November, contains several features that will appeal to workers; in fact, however, it will increase Brasilia's leverage over labor.

The new wage and salary program requires that the pay of most workers be automatically adjusted every six months, in accordance with an official cost-of-living index. Wage levels are now adjusted annually as unions negotiate new contracts within a framework closely monitored by the government. Under the new system, the lowest paid workers will be entitled to a semiannual raise slightly more than the official inflation rate; better paid workers will get adjustments only equal to the rate; high salaried workers will receive less than the cost-of-living index.

The wage policy has potentially important benefits for the regime. It is calculated to affect the largest possible number of workers, because the great majority are at low salary levels; by getting adjustments twice a year, these workers will recover purchasing power more often and will be able to anticipate increases on specified dates--an important psychological boost for those beleaguered by the steady climb of prices. The new policy will also be presented as a boon to social equity--an increasingly important issue--since it will theoretically redistribute income in favor of those at the lowest echelons, thereby spurring aggregate demand at a time when the government is most anxious to avoid a recession and to sustain high levels of growth.

In several important ways, however, the plan represents manipulation that will blunt the effectiveness of

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labor, which has been the only troublesome group for the Figueiredo administration. As the all-powerful grantor of wage benefits, the government will decree wages and salaries, thereby obviating the need for direct labor-management negotiations and making union leaders in many ways superfluous. In the future, only the value of changes in worker productivity--apt to be marginal--will be subject to direct, annual negotiations; the regime expresses confidence that no union will strike over a 1 or 2 percent hike in salaries because most workers will be guaranteed an increase above the official inflation rate.

The government will also have increased control of the cost-of-living index on which the wage adjustments will be based. Responsibility for the figures has just been shifted to a statistical research group that reports to the new economic czar, Antonio Delfim Netto. In addition, the formula for computing the index is being altered to include a broader mix of goods and a wider range of regional price variations. Should the lower rural cost of living assume greater statistical weight in the new index, it may lower the overall official inflation rate. The more complicated the formula becomes, the more difficult it will be for anyone to refute government inflation claims.

Theoretically, workers at the higher salary levels will be penalized by the new system. Their plight should not be serious, however, because they are likely to benefit from tax breaks now being considered. More importantly, those earning high salaries can be expected to take their increases in forms that can be easily disguised. Employers are not apt to be deeply disturbed at the need to increase wages twice yearly, because, as a leading weekly estimates, the nation's wage bill would increase by only 1.67 percent. Although some 75 percent of Brazil's work force receives the low wages that qualify for semiannual increases, this group's collective share of national income is minimal.

The government is now orchestrating a campaign to instill a measured amount of uncertainty among workers and union leaders alike, lest they be inclined to resist the new strategy. Labor Minister Macedo has declared that when the wage plan takes effect, there will be no

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negotiations with strikers. The regime will more rigorously apply the rules that govern labor activities and will invoke the National Security Law against leaders of strikes declared illegal. In accordance with laws not usually fully enforced, several recent strikes have been banned and the ringleaders arrested. These actions are significant not only for potential union opponents, but also for security-minded military men who believe that Figueiredo has shown too much interest in trying to popularize the government and not enough in demonstrating its authority.

Many--perhaps most--union leaders are likely to go along with the government plan, rather than risk losing what status they have. Brazil's most prestigious union chief has called for quarterly wage adjustments, but this is probably no more than posturing; leaders of three other major unions have also issued proforma criticisms of the plan. They may well have difficulty, however, gaining the support of the rank and file, who are likely to want to protect promised salary gains. For most workers, whether wage and salary hikes are granted by government fiat or won in negotiations with management is academic.

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Colombia: Increasing Public Unrest (U)

The effectiveness of President Turbay's year-old government is being challenged by labor unrest, public demonstrations, and related violence. The tension has been caused by unpopular economic measures that have aggravated an already high rate of inflation. A general strike is planned on 14 September; should it gain momentum, the military might take a more active role in quelling the disorders. Turbay, however, is in no political danger. (S)

Background

The recent price increases by the Organization of Petroleum Exporting Countries, coupled with declining domestic oil production, have forced the government gradually to reduce state subsidies for gasoline by hiking retail prices. The measure was intended to reduce overall consumption, cut imports, and stimulate domestic production. The effect, however, has been to increase the average price of fuel by over 100 percent in less than a year; the most recent increases, which averaged 30 percent, were decreed in mid-July. In spite of the increases, gasoline prices in Colombia are still considered low. (C)

The measure caused sharp increases in urban bus fares, which set off demonstrations throughout the country. In Bogota, on 24 July, university students took to the streets in protest, stoning vehicles and burning a government truck. The National University was forced to suspend most of its activities, and at least 200 students were detained by the police. Five buses reportedly were burned, and ten others were heavily damaged in similar demonstrations in other cities. (C)

The situation worsened on 20 August when, after 30 years, price controls on milk were discontinued. The retail price rose by about 30 percent and was met by further protests and sporadic violence; one student reportedly was killed. The government promised to reintroduce controls if prices got out of hand. (U)

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The Economic Picture

Paradoxically, Colombia's general economic outlook is good. The gross domestic product (GDP) grew a record 8 percent last year. Although a decline in the rate is expected this year, the GDP could still register a healthy 7 percent increase. Moreover, Colombia is expected to have a sizable balance-of-payments surplus despite its growing expenditures for oil imports, and any potential deficit problems are probably several years away. The unemployment rate in 1978 was 8.2 percent--low by Colombian standards--and appears to be holding steady. Coffee production, the traditional mainstay of the economy, has increased while prices have remained relatively high. (U)

The unpopular measures adopted by the Turbay administration have nevertheless helped to fuel inflation, which the government has identified as its number one economic problem. The rate of 18 percent for all of 1978 has already been equaled in the first seven months of this year. The final figure may reach 30 percent. (S)

To dampen inflationary pressures, Turbay has continued to implement a rigorous monetary policy, but his lack of success is in large part related to the government's limited control over the money supply in recent years. Since 1974 external factors--sharp increases in earnings from legal and contraband coffee exports and illegal exports of marijuana and narcotics--have contributed to an increase in money supply. Drug-related income alone is conservatively estimated to add more than \$500 million annually. (S)

Labor Unrest and Demonstrations

Despite a government-authorized minimum wage increase last January, labor unrest has been on the rise. Labor unions, citing the government's failure to keep wages in pace with inflation, are protesting deteriorating purchasing power, and some are demanding an immediate increase in wages. The government so far has refused to revise the minimum wage, which is less than \$100 per month. (S)

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Sporadic street disturbances, public demonstrations, and strikes also continue to plague the government. On 23 August, approximately 14,000 employees of the Ministry of Finance declared a strike, demanding a 70-percent pay increase. The government declared the strike illegal on 28 August and dismissed a number of employees two days later. Further dismissals were announced on 7 September after troops occupied the Ministry. The union's president had earlier warned that no agreement could be reached in the event of mass dismissals. President Turbay says there will be no negotiations under pressure. The strike has disrupted local business and foreign exchange operations. (C)

In Bogota, sanitation and power workers, who are negotiating pay increases with the government, have threatened to strike and reportedly have engaged in slowdowns and disrupted service. Approximately 4,000 members of the Portworkers' Federation have also started slowdowns, causing congestion at the piers. In Buenaventura, the Navy has assumed control of the port offices and piers. (U)

Colombia's four major labor organizations have called for a nationwide protest on 14 September, although not all union leaders have agreed to support it. The unions have obtained permission to stage popular demonstrations. Police and military authorities have warned that they will not allow excesses. (U)

Prospects

Last September labor leaders cooperated with President Turbay by calling off demonstrations. Stringent new security measures were then in effect, partly implemented in response to a general strike to protest the high cost of living in September 1977, which led to 18 deaths, scores of injuries, and thousands of arrests. Approximately 100,000 police and soldiers were called to control the situation and enforce a curfew. (S)

The government is making little headway in its fight against inflation, and the prospects for early improvement are poor. Labor could be more militant because cooperation with Turbay last year failed to produce economic gains. If the general strike becomes

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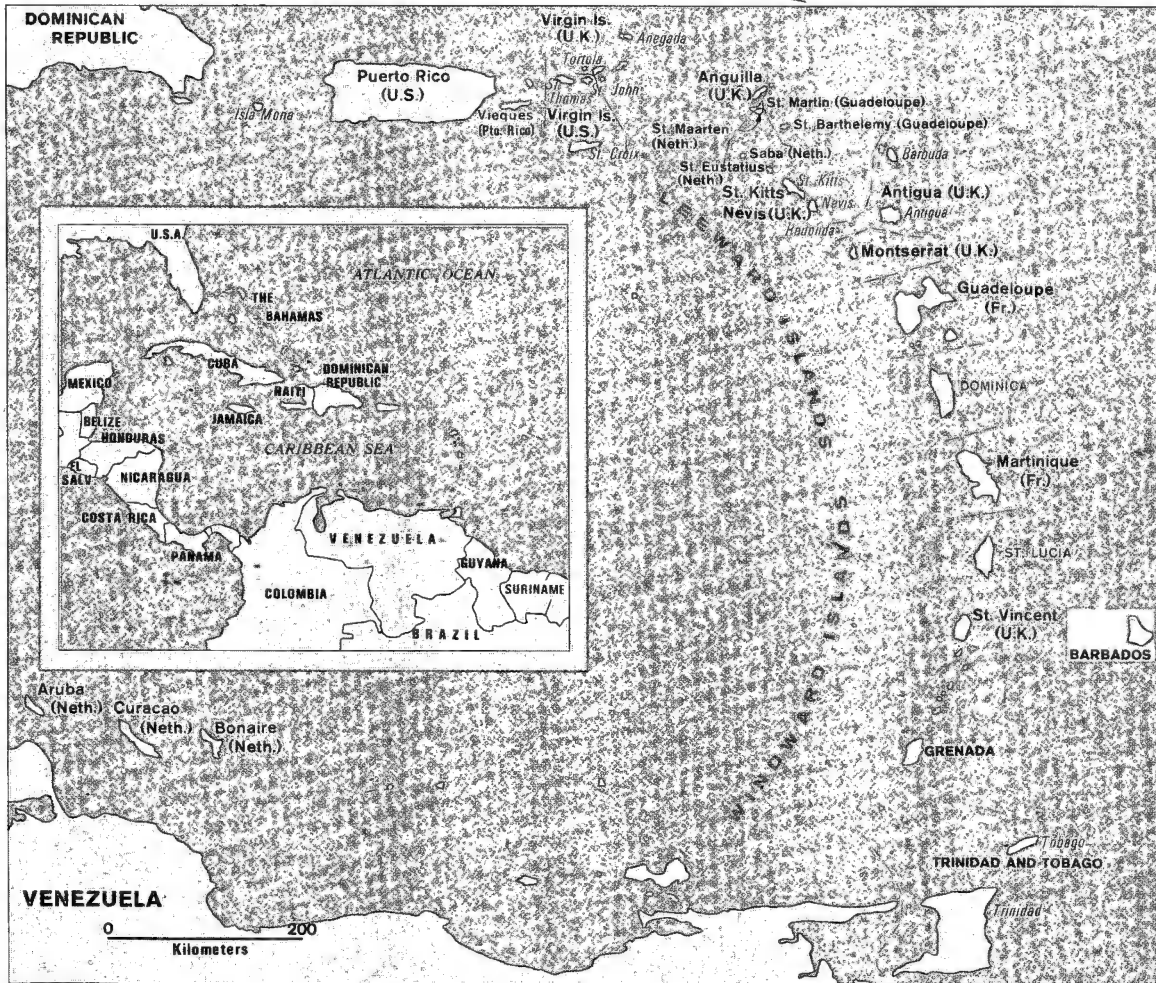
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violent, the government would be faced with a potentially explosive situation. In that event, Turbay might call on the military. (S) (~~SECRET~~)

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Barbados: Maintaining a Moderate Course (U)

In a period of rapid political change in the English-speaking Caribbean, Barbados is holding firmly to a moderate course under the leadership of Prime Minister Tom Adams, one of the most competent and effective leaders of the region. The island's two major parties--the ruling Barbados Labor Party (BLP) and the opposition Democratic Labor Party (DLP)--are centrist in domestic policy and are advocates of a nonaligned foreign policy that stresses cordial relations with the United States. A small, pro-Cuban radical group has little chance of gaining significant political influence in the near future. (S)



Prime Minister
J. M. G. "Tom" Adams

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Political Setting

Barbados' political institutions are modeled on the British Westminster system and are strongly supported by a network of voluntary pressure groups, including conservative unions and a broad representation of influential Christian religious sects. A black country still proud of its British heritage, Barbados has shown little interest in changing a constitution that recognizes the Queen of England as titular head of state; three national elections since independence in 1966 have demonstrated a widespread commitment to the constitutional process. The electoral system, like the judiciary, is essentially impartial; the wholly privately owned media are free of censorship; the country's human rights record is among the best in the world. (S)

*The above photograph appeared in Advocate News, 29 April 1979. (U)

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The BLP and the DLP have similar labor-oriented philosophies strongly influenced by the Fabian socialism of the British Labor Party. Although both parties have become increasingly economically nationalistic in the 1970s, they have maintained a moderate and responsible course favorable to the private sector and to foreign investors. Despite a traditionally high rate of unemployment, the tourism- and sugar-based economy has provided one of the highest per capita incomes (\$1,840) in the region. (S)

In the last election in September 1976, the BLP headed by Tom Adams won 17 of 24 seats in the House of Assembly and ended the 15-year rule of the present opposition leader, Errol Barrow. During the past three years, Adams has slowed the rising unemployment rate--now about 20 percent of the labor force--and has otherwise led a responsible and effective administration. (S)

Adams, however, will have difficulty being reelected in 1981 because the opposition DLP can count on its traditional alignment with the Barbados Workers' Union, the island's largest and most influential labor group.



Errol Barrow,
leader of the opposition

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Nonetheless, we believe that the election will proceed democratically and that the result will be accepted by both parties.

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Security Threats

The Movement for the National Liberation of Barbados (MONALI)--a small but active pro-Cuban organization--is the principal radical group on the island. Based at the local campus of the University of the West Indies, MONALI is led by a band of young, former black-power activists

*The above photograph appeared in Advocate News, May 1979. (U)

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and action-prone leftist intellectuals. Although it probably has well under 100 members, the group helped establish the Barbadian-Cuban Friendship Society and last year sent a large delegation to the 11th World Youth Festival in Havana. (S)

MONALI is of some concern to the Adams government because of its revolutionary philosophy, its links with Cuba, and its close ties with the new government of Grenada. In the long term, it may pick up support among the island's youth majority. Nevertheless, it now appears to represent a minimal security threat and a weak political challenge. (S)

Adams apparently fears a seaborne invasion of his country more than a radical-led internal insurrection. Last December, he announced that Sidney-Burnett Alleyne, an exiled Barbadian arms dealer disowned by local political groups of all persuasions, had for the second time since 1976 organized mercenaries to try to invade the island and topple the government. Although Burnett Alleyne's plots and Adams' fears are real, we strongly doubt that such an invading force could hold a beachhead against the island's 300-member militia and 650-member police force. (S)

Foreign Policy

Barbados now has diplomatic relations with over 30 countries, including seven Communist nations. In July the Adams government announced that it would seek full membership in the nonaligned movement; it participated in the Havana summit last week.

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the two countries established formal relations in mid-1977, and last year the Chinese opened a large embassy in Bridgetown.

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Relations with Cuba have been strictly formal, however, and Adams has not recognized the Soviet Union. Moreover, Barbados

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has openly criticized Havana's links with the "revolutionary" government of Grenada. In July Foreign Minister Henry Forde stated publicly that the interests of Cuba and

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Barbados converged in the Third World but diverged in the Caribbean. Forde's policy statement reaffirmed Bridgetown's position that Cuba should be formally reintegrated into the Caribbean but that it should not be permitted to interfere internally in any country in the region. [REDACTED]

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Barbados has been a leading advocate of interisland cooperation and has played a major role in the formation of regional economic institutions in the English-speaking Caribbean. The Adams government this year has tightened economic and political links with Trinidad and Tobago and has tried to shore up its relations with other moderate governments of the eastern Caribbean. Bridgetown has strongly favored political moderation and has spoken out against the leftist orientation of governments in Jamaica, Guyana, and Grenada. [REDACTED]

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Barbados has long had close relations with the United States; there are no signs that this will change. The island's leaders, however, have traditionally been direct with Washington and occasionally have been strongly critical of US policy. Bridgetown denounced US protests after it established diplomatic relations with Havana in 1972 and has since voiced disapproval of the US economic blockade of Cuba. In 1976, former Prime Minister Barrow accused the United States of "destabilization" activities against leftist governments in the region. In 1978 Adams told the US Ambassador that he believes the CIA was involved in 1977 in the illegal shipment of arms through the eastern Caribbean to South Africa. This year he was disappointed with the breakdown of bilateral negotiations that resulted in the early closure of the US Navy's small oceanographic research station. (S) [REDACTED]

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The Nonaligned Summit: Preliminary Assessment (U)

The nonaligned movement (NAM) concluded its sixth summit in Cuba with harsh criticism of the West, but it reaffirmed the movement's traditional philosophy of non-alignment between the blocs. Yugoslavia's Tito and Cuba's Castro apparently reached a compromise on their more fundamental disagreements, which allowed the summit to end on a note of unity. Castro's disregard for the parliamentary process may have cost him some support, but he has shown himself capable of aggressively directing the 95-member organization. (U)

Cuba, the host and titular leader of the movement for the next three years, failed to push the movement toward an alliance with the Soviet bloc but was able through audacious parliamentary procedures to get a consensus on the final declaration. (U)

Credible reports from the conference are still sketchy, but the West--particularly the United States--was accused of being responsible for conflicts in a number of the world's trouble spots, such as Central America, the Middle East, and southern Africa, and for the present international economic situation. The complete text of the final communique, which has been toned down in some sections and strengthened in others, will not be available for a week or more. (U)

One of the thorny problems the conference wrangled over was the question of representation for the Government of Kampuchea. Cuba and Vietnam favored seating the Heng Samrin representatives; the states belonging to the Association of Southeast Asian Nations (ASEAN) and Yugoslavia--concerned over Soviet influence in the region through Vietnam--favored the Pol Pot regime. In the end, the Cubans announced a consensus to leave the seat empty until the next nonaligned foreign ministers' conference in 1981. This action effectively removes Pol Pot from the NAM. Twenty delegations, including Yugoslavia and the ASEAN states, reportedly lodged a written complaint with

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the Cuban Government for its handling of the issue. Yugoslavia reportedly dropped its opposition to the empty seat near the close of the conference. (U)

The issue of Egypt's membership threw the conference into overtime. Cuba, on behalf of the Arabs, called for Egypt's suspension, but the Africans refused to agree. Egypt retains its membership but in effect is on parole. An ad hoc committee will review Egypt's treaty with Israel and report at the 1981 foreign ministers' meeting. The communique reaffirms that the questions of Palestine and the Middle East are a single issue, retains the "Zionism-Racism" link, and calls on members to support an economic embargo against Israel. (U)

On southern Africa, the declaration notes the results of the Lusaka conference, which led to the London conference on Zimbabwe-Rhodesia, but offers no support for it. Instead, it reiterates support for the armed struggle in southern Africa and calls upon the nonaligned to assist in that struggle. It endorses the recent Organization of African Unity call for an international conference in 1980 to "mobilize world opinion in support of effective application of economic and other sanctions against South Africa." (U)

The economic portion of the declaration--harshly critical of the West--paints a gloomy picture of a widening gap between rich and poor nations and stresses that the developed world is selfish and inflexible in its economic dealings with poorer states. (U)

The question of aid from oil-producing nonaligned countries to poorer ones was not dealt with in detail in the declaration. The topic was raised by several countries during the summit, and a working group was formed to work out guidelines for cooperation, but no firm agreement was apparently reached. (U)

Much of the drafting of the opening paragraphs of the declaration--considered the key part of the document by Yugoslavia--was done by Yugoslavia, Cuba, India, and Algeria. This portion of the document reiterates the traditional view of nonalignment as an independent non-bloc force and cites bloc rivalry and divisions into spheres of influence as unacceptable forms of conduct in international relations. Cuba conceded to this

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wording while retaining the overall anti-imperialist - anti-West cast of much of the rest of the declaration. (U)

How the members resolved the issue of defining consensus and the role of the Coordinating Bureau between summits is not yet clear. The moderate members had sought changes in the decisionmaking process as a way to curb Cuba's influence as chairman. The loose structure of the group allows a forceful chairman to manipulate the movement by such tactics as declaring a consensus when none exists. While members have grumbled about this in the past, as during Boumediene's chairmanship during the period 1973-76, few have openly challenged the chairman. At this summit, the Coordinating Bureau that governs NAM affairs between summits was expanded from 25 to 36 members. By this action, moderate members hoped to increase the restraints on Cuba's leadership. The Cubans, however, have shown themselves more than willing to sidestep parliamentary niceties--such as Foreign Minister Malmierca's gaveling through a consensus on the empty seat for Kampuchea over strong objections and Castro's steamrolling tactics in the plenary. Thus, the bureaucratic restraints adopted in Havana may have little or no effect on Castro's further action. (U)

How Cuba will choose to translate the words of the final communique into action is still undetermined. During the coming UN General Assembly session, Castro is expected to take his turn at the podium and lecture the West as the spokesman for the Third World. Most of the resolutions drafted at the summit will probably surface during the General Assembly session, and because of the NAM's numerical majority, many will be adopted. The practical effects, however, will be limited. (U)

Cuba may also win its bid for the Latin American Security Council seat. This would give Castro yet another forum from which to assert himself in world affairs. If he adds to this the hosting of the next UN Conference on Trade and Development in 1982 or 1983, he will be in a strong position among Third World nations, and his influence on the NAM mechanism will be greatly enhanced. Some delegates at the NAM summit--Egypt, Singapore, Burma, Guyana--have stated that Castro's arbitrary handling of

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the parliamentary process and his sometimes rude retorts to heads of state may have cost him solid nonaligned support. Nonetheless, the "silent majority," either because it chose to go along or because of Castro's arbitrariness, allowed the more aggressive radicals to dominate the tone and much of the substance of the summit. (C) (~~CONFIDENTIAL~~)

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Guyana: A Government Victory But a Tough
Fight Ahead (U)

Prime Minister Forbes Burnham has at least temporarily surmounted the labor problems that plagued his government for the past six weeks. Political craft [redacted] won this round, but the deteriorating economic situation, unlikely to be reversed soon, is at the root of the restiveness with the Prime Minister's 15-year rule. Burnham clearly intends to [redacted] entrench himself and his party in power for several more years; he will, however, continue to face the threat of a growing opposition. (c)

The Burnham government reached a back-to-work agreement with the largest of the striking unions, but left several key issues to be resolved within the next six weeks. If the government and the workers cannot resolve these differences, strikes are likely to recur. Burnham combined negotiation with [redacted] and convinced other dissident unions to return to work. (c)

The traditional, but rather ineffective opposition party of Marxist Cheddi Jagan and the trade unions associated with his party were involved in the labor strikes and demonstrations; however, the new elements that participated will probably have a greater impact on the country. The Working People's Alliance (WPA), a new major political actor, has gained wide support from the left. During the past few weeks it drew crowds of up to 5,000 people--the largest nongovernment political demonstrations organized in Guyana in years. The once staunchly loyal Afro-Guyanese labor strongholds that are the backbone of Burnham's support are becoming disaffected. (c)

[redacted]

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[REDACTED]

Economic complaints--particularly consumer goods shortages and low wages--on top of well founded fears that the government will further curb political freedoms, have also propelled previously uninvolved elements into the opposition. A moderate group made up of previously apolitical businessmen and professionals has called for the resignation of the Burnham government. The previously apolitical Clerical Commercial Workers Union participated in the strikes last month, to the ire of Burnham and his government. The union workers are now being pressured to join the government-backed union.

(C)

Burnham is also concerned about the possibility of opposition unrest within the previously supportive Guyanese Defense Force.

[REDACTED]

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The constitution, which is currently being rewritten by the ruling party, will have little input from the opposition and will attempt to legitimize the government's tight political control.

[REDACTED]

Lack of opposition leadership and cohesion, the tentative settlement of the labor disputes, and the tactics of the strongarm Burnham have left the opposition--at least for the moment--without an issue upon which to focus its energies. The deteriorating economy, however,

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could spur the opposition into action, especially since it now seems determined to remove Burnham and is more willing to use violence. Under these conditions, Burnham is likely to face further serious challenges in coming months. (S) EO25x1

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